



PURCHASE CARD GUIDE

VERSION 1



U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF THE ASSISTANT SECRETARY FOR ADMINISTRATION AND MANAGEMENT
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I. Overview of the Purchase Card Program

A. Purpose of This Guide

The purpose of the Department of Health and Human Services (HHS) Purchase Card Guide is to provide standard policies and procedures to all HHS Operating Divisions (OPDIVs) for using the Government purchase card.

B. Scope and Applicability

This guide addresses HHS's implementation of the General Services Administration (GSA) SmartPay® program for purchase cards issued to HHS employees. It does not contain guidance on use of the travel card or fleet card. This guide addresses policies and procedures that generally apply to all OPDIVs, regardless of the servicing bank. Bank-specific procedures are not covered in this guide. This guidance applies to all HHS cardholders, Approving Officials (AOs), Agency/Organization Program Coordinators (A/OPCs), and other officials associated with the HHS purchase card program. (See [I.G.](#)) This guide may be used as a reference tool for the OPDIV's purchase card training programs.

C. Organization of This Guide

This version of the guide is organized into three major parts. Part I provides an overview of the HHS purchase card program and of the responsibilities of the key participants. Part II addresses the policies and procedures for establishing and maintaining purchase card accounts. Part III provides guidance to cardholders for using the purchase card. This version of the guide also contains two appendices: Appendix A contains instructions for authorizing contractors' use of the GSA SmartPay® program, and Appendix B contains templates.

Version 2.0 of the guide will include Part IV, covering guidance to purchase card program coordinators for implementing the purchase card program, and additional appendices such as a list of references and resources, a glossary, checklists, additional templates, a list of restricted and prohibited products and services, and OPDIV-specific purchase card procedures.

D. Effect

This guide serves as the basis and standard for all OPDIV purchase card policies and procedures. Each OPDIV issuing cards may establish procedures to implement this guide. OPDIV procedures will be published as appendices to this guide. OPDIV-specific guidance may include the following:

- Supplemental procedures for working with the servicing bank and the servicing bank's purchase card system and software

- Procedures for using OPDIV systems and software related to the purchase card
- Procedures for OPDIV-specific purchase card process flows and a list of OPDIV points of contact related to the purchase card program
- Approved OPDIV variances from, or additions to, this guide.

OPDIV-specific purchase card procedures must contain the minimum guidance necessary to implement and supplement this guide but must not unnecessarily repeat guidance contained in this document. OPDIVs that want to implement purchase card policies that differ from those in this guide must submit a deviation consistent with subpart 301.470 of the Health and Human Services Acquisition Regulation (HHSAR). Administrative changes (changes to points of contact, addresses, etc.) do not need to be submitted for review.

E. Background

The Government purchase card program began in the mid-1980s as a pilot program and was expanded Government-wide when GSA awarded the first contract for card services. The Federal Acquisition Streamlining Act of 1994 (FASA) established a micropurchase threshold of \$2,500, and Executive Order 12931, Federal Procurement Reform (issued in 1994), encouraged use of the purchase card for purchases up to the micropurchase threshold. As a result, the purchase card has become the preferred method for purchasing supplies and services up to \$2,500 (purchases for construction are limited to \$2,000 or less). This policy is set forth in Federal Acquisition Regulation (FAR) 13.201. In 1998, GSA awarded SmartPay contracts to five banks for purchase card, travel card, and fleet card services offered to the Federal Government. HHS placed a task order with U.S. Bank under the GSA SmartPay contract to obtain purchase card services through November 2008.

The HHS purchase card program offers a number of benefits:

- The purchase card is a streamlined method of making purchases and payments that reduces administrative costs to both HHS and vendors, while offering HHS customers a means to quickly obtain supplies and services.
- The value of the Federal Government purchase card business to the servicing banks is so great that they are willing to offer rebates to departments and agencies based on the dollar value of transactions and prompt payment of invoices.

- The purchase card is accepted by most vendors worldwide, and use of the card ensures that vendors are paid promptly. Vendors are able to avoid the traditionally cumbersome Government purchase order and payment processes.
- The servicing banks offer purchase card software to access transaction details and manage accounts.

F. HHS Purchase Card Program Organization

The servicing bank uses a purchase card hierarchy that contains up to six management levels. The hierarchy allows for accounts to be established and managed at a level appropriate to the size and scope of the organization. The purchase card hierarchy allows the servicing bank to report card usage statistics at each level. The first three levels, as they apply to HHS, are described below:

- Level 1 represents the GSA. The servicing bank is able to summarize purchase card data from multiple departments and agencies at this level.
- Level 2 represents HHS as a whole. The Level 2 HHS Purchase Card Program Coordinator is located in the Office of the Assistant Secretary for Administration and Management, Office of Acquisition Management and Policy (ASAM/OAMP).
- Level 3 represents each HHS OPDIV. Each OPDIV with authority to issue purchase cards will have an A/OPC responsible for coordinating with the HHS Level 2 Program Coordinator and for managing the overall OPDIV implementation of the HHS purchase card program.

OPDIVs may use Levels 4, 5, and 6 to establish AO and cardholder accounts and to organize and manage their card programs based on their OPDIV's structure and number of cardholders.

G. Key Responsibilities

HHS Office of Acquisition Management and Policy: OAMP has the overall responsibility for managing the HHS purchase card program, ensuring that the program complies with Federal and departmental laws and regulations and monitoring the program's effectiveness. This includes, but is not limited to, the following:

- Establishing and issuing HHS-wide purchase card guidance
- Preparing HHS-wide purchase card reports
- Representing HHS in interactions with GSA, the servicing bank, and other organizations

- Reviewing and approving HHS OPDIV purchase card procedures and determining the impact, if any, on policies and procedures contained in this guide
- Reviewing and approving HHS OPDIV deviation requests and requests to modify policies set forth in this guide
- Monitoring OPDIV implementation of the department-wide purchase card program, which may include conducting periodic audits; assessing card usage; issuing, suspending, and terminating cards; and changing A/OPC and AO appointments.

Agency/Organization Program Coordinator: A/OPCs are responsible for implementing and managing the HHS purchase card program at their respective OPDIVs. The following are key A/OPC responsibilities:

- Establishing and terminating accounts
- Issuing cards
- Establishing default merchant category codes
- Providing training and advice to cardholders and approving officials
- Ensuring that training records are complete
- Conducting surveillance of the card program by periodically auditing cardholder transactions
- Reporting improper card usage to the HHS Program Coordinator
- Monitoring card usage and deactivating cards when appropriate
- Acting as the point of contact with the servicing bank for purchase card issues at the OPDIV
- Developing OPDIV purchase card procedures as necessary
- Requesting deviations to the purchase card policies in the HHSAR or modifications to the policies set forth in this Purchase Card Guide, as necessary
- Completing all required initial and refresher purchase card training.

Billing Official: The billing official is responsible for receiving and paying invoices from the servicing bank. The billing official also serves as a liaison between the OPDIV finance office and the A/OPC on purchase card matters.

Disputes Official: The disputes official is the A/OPC, or another official designated by the OPDIV, who is responsible for providing guidance to cardholders regarding disputes and for interacting with the servicing bank on disputed transactions.

Approving Officials: AOs are responsible for reviewing and approving all cardholder transactions under their purview to ensure proper use of the purchase card (in other words, determine if purchases are necessary and appropriate). AOs should be at a higher or equivalent grade level with respect to the cardholders under their purview. AOs are responsible for requesting the establishment of new purchase card accounts and cardholders' single purchase and monthly billing limits. Other duties include the following:

- Completing all required initial and refresher purchase card training
- Assisting the cardholder with dispute resolution
- Ensuring that cardholders reconcile their statements and transactions in a timely manner
- Verifying that cardholders maintain purchase card records
- Requesting cancellation of cardholder accounts
- Reconciling the cardholder's statements and transactions during cardholder absences
- Reporting any suspected cases of fraud and abuse to the A/OPC
- Reporting any lost, stolen, or compromised cards to the A/OPC
- Notifying the OPDIV property officer of all accountable property acquired
- Notifying the A/OPC of any cardholders that have transferred, retired, or terminated their employment; are absent without leave; are on extended leave (with or without pay); or have no further need of a purchase card. (See [II.E.](#))
- Resolving any questionable purchases with the cardholder
- Assigning default Common Accounting Numbers (CANs) and Object Class Codes (OCs) to the cardholder's account
- Notifying the A/OPC prior to being reassigned or leaving the organization
- Ensuring that all of the correct approvals and documentation are in place for the approval of the purchase.

Cardholders: Individual cardholders are responsible for making authorized purchases, maintaining required documentation, processing the cardholder statement, and obtaining approvals of purchases when required. The following are other duties of cardholders:

- Completing all required initial and refresher purchase card training
- Ensuring that adequate funds are available before making purchases
- Complying with restrictions in the OPDIV's unauthorized purchases listing
- Obtaining any required prepurchase approvals
- Complying with single purchase, monthly, and office dollar limits
- Purchasing supplies or services from required sources, when applicable
- Following the procedures for using convenience checks
- Verifying that purchased items have been received and keeping track of those that have not been received
- Reviewing all transactions reported by the servicing bank and reconciling them with the corresponding purchase records
- Resolving errors and invalid purchases with merchants
- Disputing any unresolved invalid transactions with the servicing bank within the required time frame
- Notifying the AO of disputed transactions
- Safeguarding the purchase card and account information
- Immediately reporting lost, stolen, or compromised cards to the servicing bank and notifying the AO
- Notifying the AO of planned reassignment, absence, or departure from the organization.

H. Management of the HHS Purchase Card Program

The following HHS OPDIVs have been authorized to implement the department's purchase card program:

- Food and Drug Administration (FDA)
- Indian Health Service (IHS)

- Health Resources and Services Administration (HRSA)
- Program Support Center (PSC)
- Agency for Healthcare Research and Quality (AHRQ)
- Centers for Medicare and Medicaid Services (CMS)
- Centers for Disease Control and Prevention (CDC)
- Substance Abuse and Mental Health Services Administration (SAMHSA)
- National Institutes of Health (NIH).

Other HHS OPDIVs and Staff Divisions (STAFFDIVs) that have not been authorized to implement a purchase card program may obtain purchase card support from the PSC.

I. Maintenance of This Guide

OAMP is responsible for issuing and maintaining this guide. Periodically, OAMP will review the guide for currency, will update it as necessary, and, based upon the number and types of changes to the purchase card program, will determine when to issue a revised version of the guide. OAMP will issue interim guidance as necessary in the form of a memo to OPDIVs/STAFFDIVs, memos to A/OPCs, or other appropriate means of disseminating changes.

OPDIV A/OPCs should submit proposed changes to this guide to the HHS Program Coordinator in OAMP. Cardholders, AOs, and other users of this guide may send comments and suggested revisions to their A/OPC.

II. Establishing and Maintaining Purchase Card Accounts

A. Selection and Appointment of A/OPCs, Approving Officials, and Cardholders

1. General

New A/OPCs will be appointed by the OPDIV Head of the Contracting Activity (HCA) (or designee) and will be from the OPDIV's acquisition organization. OPDIV components or offices are responsible for nominating prospective AOs and cardholders who will come under each AO's purview. If a component or office already has one or more cardholders and wishes to add another cardholder, the cognizant AO is responsible for nominating the new cardholder. The OPDIV A/OPC is the reviewing and approving authority. AOs and cardholders are not limited by position or grade; however, an AO should be a higher or equivalent grade, if practicable. An individual can be both a cardholder and an AO for a different cardholder, but cannot be the AO for his or her own purchase card. An AO and a cardholder cannot also serve as the other's cardholder and AO, respectively.

Before requesting a new AO or cardholder, the requestor should consider the anticipated need, including ongoing requirements and estimated dollars, as well as the organization's purchasing history and patterns. These factors will determine the appropriate number of cards, as well as single purchase and monthly limits for each cardholder. The number of purchase cards requested should be the minimum number required to meet the organization's needs. Before requesting a new AO or cardholder, the requestor must ensure that all mandatory training has been completed by the prospective AO or cardholder.

Only HHS employees may be appointed as A/OPCs, AOs, or cardholders under HHS's purchase card program. Contractors serving as A/OPCs, AOs, or cardholders under the Government-wide card service program can be granted authority only in accordance with FAR Part 51.101 (see [Appendix A](#)).

2. Emergency Purchase Cards

Organizations may request purchase cards for emergency use without the need to use the cards on a recurring basis. Emergency cards are exempt from cancellation due to inactivity, and AOs are not required to justify continued need due to inactivity. However, emergency card issuance must be reviewed at a minimum of every 2 years to make sure issuance to designated cardholders is still warranted. These cards will be issued in advance of an emergency and placed with trained cardholders so that they

can use the cards immediately upon declaration of an emergency. The cardholder's AO or other agency official will advise the cardholder when an emergency exists and when the card may be used.

The only employees eligible to receive an emergency card are those who have been designated as "emergency employees" or "mission-critical emergency employees" under an emergency response plan or continuity of operations plan (COOP) and those who are active duty officers in the Public Health Services' Commissioned Corps. The use of a purchase card solely as a "backup card" for another cardholder is not considered an emergency use and is not permitted.

Emergency cards should be requested with single purchase limits sufficient to cover the intended use, and the cardholder should be at an organizational level commensurate with the responsibilities of holding a card with fewer restrictions and potentially higher purchase limits. Emergency cards may be issued with fewer merchant category code restrictions than a normal card in order to allow the user greater flexibility during an emergency. Convenience checks (see [III.D](#)) may also be requested to accompany the emergency card. Convenience checks are appropriate for emergencies because they offer the user an alternative means to pay vendors in case the commercial credit card network is inoperable due to electricity or telecommunication outages or to make emergency purchases with vendors who do not accept credit cards.

Requests for emergency cards must contain an appropriate justification, citing the anticipated circumstances under which they would be used. As an example, an emergency card might be appropriate for individuals who are deployed following a bioterrorism event and require a card to perform their duties. Before being issued an emergency card, prospective emergency cardholders must receive the appropriate training commensurate with the purchase limits on the card (see [II.B](#)).

Cardholders with regular (nonemergency) cards may continue to use their cards during an emergency to purchase products and services in accordance with the limits on their cards.

3. Nominating Prospective AOs and Cardholders

AOs and other officials who nominate prospective cardholders should consider individuals who have the judgment, character, reputation, and adequate business acumen to be entrusted with a purchase card.

New AOs and cardholders under their purview must be nominated by an OPDIV official above the level of the AO. Existing AOs may nominate new cardholders under their purview. Nominations must be sent to the

A/OPC of the card-issuing OPDIV and must contain, at a minimum, the following information:

- For prospective cardholders
 - Name that the individual uses as his or her official signature, job title, series, grade, office name, office address, e-mail address, and phone and fax numbers
 - Requested single purchase spending limit and monthly spending limit
 - Justification for the card
 - Name of the prospective cardholder's AO
 - Date that the requisite training was completed
 - Default CAN assigned to the account, if required by the OPDIV
 - A justification if convenience checks are also being requested for the cardholder
- For prospective AOs
 - Name that the individual uses as his or her official signature, job title, series, grade, office name, office address, e-mail address, and phone and fax numbers
 - Date that the requisite training was completed.

Prospective cardholders who are approved for selection will be issued a delegation of procurement authority (DPA) from the cognizant HCA (or designee) after successfully completing all required training. The DPA will contain the cardholder's official spending limits and any other restrictions deemed appropriate by the A/OPC. ([Appendix B](#) contains the standard DPA template for authority up to the micropurchase threshold.) For delegations exceeding the micropurchase threshold, the delegation must be issued on a Standard Form 1402, *Certificate of Appointment*, appropriately tailored to reflect the purchase card limits and any other card restrictions.

B. Training Requirements

1. Purchase Card Training

All prospective A/OPCs, AOs, and cardholders, regardless of job series, must be trained before being appointed to the program. HHS's purchase card training is based on the guidance in Office of Management and Budget (OMB) Circular A-123, Appendix B ("Training Requirements for Participation in Federal Charge Card Program"). The objective of the training program is to familiarize the A/OPCs, AOs, and cardholders with procurement laws and regulations and with internal departmental policies that impact purchases and payments made with the Government purchase card.

Training must be commensurate with the level of responsibility or DPA. Training for AOs and cardholders must address their respective responsibilities, prohibited purchases, purchase limitations, applicable policies and regulations, and sources of supply. Training for A/OPCs must provide an understanding of AO and cardholder responsibilities, proper card management, and control and oversight tools and techniques. Purchase card training must address policies and procedures for Section 508 of the Rehabilitation Act of 1973 and for "green" purchasing, which is related to the environmental quality of products and services procured with the purchase card. To continue participating in the purchase card program, A/OPCs, AOs, and cardholders must receive refresher training every 2 years, at a minimum.

Table 1 summarizes the HHS purchase card training program required for different levels of authority. The appendix of *HHS Acquisition Workforce Training and Certification Handbook* contains additional sources of training, minimum requirements for developing training materials, and competencies for newly appointed A/OPCs, AOs, and cardholders. (The handbook is available at <http://www.knownet.hhs.gov/acquisition/pcardNovember16,2005.doc>.)

Table 1. HHS Purchase Card Training Program, by Authority Level

| Authority ^a | Program participant | Required training ^b |
|------------------------|---|---|
| Up to \$2,500 | Prospective/newly appointed purchase cardholders and Approving Officials | Basic purchase card course (HHS University 1-day course) or an equivalent course that has been approved by the HHS Acquisition Training Coordinator) prior to appointment. OPDIV-specific training on procedures for using the purchase card, as necessary. |
| | Purchase card holders and Approving Officials appointed before November 1, 2005 | Refresher purchase card training, including green-purchasing training, every 2 years. |

Table 1. HHS Purchase Card Training Program, by Authority Level

| Authority ^a | Program participant | Required training ^b |
|------------------------|---|---|
| \$2,501 to \$25,000 | Prospective/newly appointed purchase cardholders and Approving Officials | Basic purchase card course, basic simplified acquisition procedures or DAU's CON 237, and advanced simplified acquisition procedures or appropriations law. |
| | Purchase card holders and Approving Officials appointed before November 1, 2005 | Refresher purchase card training, including green-purchasing training, every 2 years. |
| \$25,001 to \$100,000 | Prospective/newly appointed purchase cardholders and Approving Officials | Basic purchase card training, basic simplified acquisition procedures or DAU's CON 237, advanced simplified acquisition procedures or appropriations law, CON 100 (Shaping Smart Business Arrangements), and CON 110 (Mission Support Planning) |
| | Purchase cardholders and Approving Officials appointed before November 1, 2005 | Refresher purchase card training, including green-purchasing training, every 2 years. |
| Not applicable | Prospective/newly appointed Agency/Organization Program Coordinators | Basic purchase card training, basic simplified acquisition procedures or DAU's CON 237, advanced simplified acquisition procedures or appropriations law, CON 100 (Shaping Smart Business Arrangements), and CON 110 (http://www.dau.mil/register/enroll.asp Mission Support Planning). |
| | Agency/Organization Program Coordinators appointed before November 1, 2005 | Refresher purchase card training, including green-purchasing training, every 2 years (attendance at GSA's annual training conference satisfies refresher training). |

^a Cardholders and Approving Officials with authorized increases in DPA have up to 6 months to complete the training requirements for the new DPA.

^b CON 237, CON 100, and CON 110 are available at the DAU website at <http://www.dau.mil/registrar/enroll.asp>. CON 100 is also offered through HHS University (see website at: <http://learning.hhs.gov>).

After successfully completing the basic purchase card training, each AO and cardholder must sign the standard certification statement certifying that he or she has read, has understood, and agrees to abide by all terms and conditions governing the GSA SmartPay VISA program. ([Appendix B](#) contains the template.) The A/OPC must retain the original statement and provide a copy to the cardholder. A DPA will not be issued without this signed statement on file.

2. Training Audit Procedures

OPDIV A/OPCs are responsible for maintaining a list of all AOs and cardholders within their OPDIV and documenting whether they have completed their required training and refresher training (successful completion of purchase card training, refresher purchase card training, green-purchasing training, and other courses as noted above). Failure to take the required training may result in the suspension, revocation, or nonissuance of a purchase card to an employee. The A/OPC must retain a copy of all training documentation for 3 years from the date of appointment of each AO and cardholder.

3. Remedial Training

Remedial training may be used as one of the disciplinary options for A/OPCs, AOs, and cardholders. Remedial training essentially involves retaking the basic purchase card training and other requisite training.

C. Account Setup

1. Purchase Cards

After successfully completing required training, AOs and cardholders must submit their application information to the A/OPC in accordance with OPDIV procedures. The A/OPC will enter the card setup information in the servicing bank's system.

Upon receipt of the card setup information, the servicing bank will mail the card to the A/OPC or the cardholder as determined by OPDIV procedure. If mailed to the A/OPC, the A/OPC will deliver the card to the cardholder. Immediately upon receipt of the card, the cardholder must verify the accuracy of his or her name and address, sign the card, and follow the servicing bank's procedures to activate the card.

The card has a unique design, as specified in the GSA SmartPay contract, to help distinguish the card from regular credit cards. The card contains the phrases "For Official U.S. Government Purchases Only" and "U.S. Government Tax Exempt." The card has a red strip along the top, bears the Great Seal of the United States, and has "United States of America" printed across the face of the card.

The card is embossed with the cardholder's name and account number. The reverse side of the card contains a space for the cardholder's signature and is also stamped with the account number followed by a three-digit security code. Some vendors may ask for this code during a purchase transaction. The servicing bank's toll-free number is also printed on the back of the card.

2. AO Accounts

After the prospective AO successfully completes training, the nominating official must submit the AO's application information to the A/OPC in accordance with OPDIV procedures. The A/OPC will enter the AO account setup information in the servicing bank's system. The servicing bank will then assign an account number to the AO.

A/OPCs must determine manageable spans of control (the ratio of cardholders to AO) based on consultation with the nominating official and/or AO. In making this determination, the transaction volume of all existing or prospective cardholders under the AO should be considered.

D. Account Maintenance

1. Changes in Cardholder Status

Transfer, Retirement, Resignation or Termination: Cardholders should stop using the card far enough in advance of their separation date, if possible, to allow all outstanding transactions to be processed before their separation. The cardholder must destroy his or her card by cutting it in half, provide the cut card to the AO, and advise the AO of any outstanding transactions. The cardholder must also give the AO any remaining receipts or other documents related to outstanding transactions. The AO will determine when to close the account based on the outstanding transactions and will notify the A/OPC when the account is ready to be closed. The servicing bank can still submit invoices for any outstanding transactions remaining after the A/OPC closes the account. A new purchase card account must be established if the transferred employee is to be a cardholder in another HHS organization.

In the event of cardholder death or disability, the AO is responsible for reconciling and approving any outstanding cardholder transactions. The AO will then notify the A/OPC to cancel the cardholder's account. Retrieval and destruction of the purchase card is not required in these cases.

2. Changes in AO Status

Before an AO leaves the organization, the AO's supervisor or other organizational official should nominate a new AO or advise the A/OPC to transfer the cardholder accounts to another AO. If it is not possible to establish a new or permanent replacement AO before the current AO leaves the organization, the A/OPC may recommend the designation of another AO to assume the former AO's duties until a permanent replacement is appointed.

3. Administrative Changes to Cardholder and AO Accounts

Cardholders are responsible for advising their A/OPCs (with a copy to their AO) of any administrative changes to their account, such as name, address, or phone number. AOs are responsible for advising the A/OPC of administrative changes to their account. A/OPCs are responsible for updating the servicing bank's records with the new information.

4. Changes to Account Dollar Limits

Instances may arise when it becomes necessary to revise a cardholder's single purchase limit or monthly purchase limit. Requests to change a cardholder's single purchase limit must be submitted by the AO to the

A/OPC with an appropriate justification. Changes to a cardholder's single purchase limit require that a new DPA be issued by the organization's HCA or designee. Requested changes that would raise the cardholder's single purchase limit above the \$2,500 micropurchase threshold require that the cardholder meet all training and certification requirements for the requested dollar level (see [II.B.](#)).

The AO may request changes to the cardholder's monthly purchase limit by sending a request to the A/OPC. In setting a cardholder's monthly purchase limit, the AO must consider the office's budget for purchases, as well as the other cardholders' monthly purchase limits. The office's monthly purchase limit is the sum of the individual cardholders' monthly limits.

In addition to purchase limits established by AOs, the servicing bank may place its own limits on purchase amounts and number of transactions. If these limits need to be temporarily overridden, the AO sends a request to the A/OPC.

5. Other Changes to Accounts

AOs may request changes to cardholders' default CANs by sending a request to the A/OPC. AOs and cardholders may add or change the OCCs associated with their accounts. AOs are responsible for ensuring that the correct codes are associated with each cardholder transaction.

AOs may also request additions to, or deletions from, the list of authorized merchant category codes from which a cardholder may purchase. AOs send these requests to the A/OPC. AOs should also advise the A/OPC of issues or problems involving merchants and merchant category codes, such as merchants with incorrect codes or merchants that may be using another merchant's account. The A/OPC will investigate these situations and discuss them with the servicing bank as necessary.

6. Inactive Cards

A/OPCs are responsible for reviewing purchase card usage within their organizations and identifying any purchase card accounts that appear to be inactive, other than cards specifically requested for emergency use. A/OPCs must perform this review at least quarterly. The guideline for "inactive" is any account that does not have any transactions within the preceding 6 months. A/OPCs must contact AOs, by memo or e-mail, with inactive card accounts (other than previously approved accounts in support of contingency or emergency response operations) and request that they complete and sign the "Status of Inactive Purchase Card" template (see [Appendix B](#)) to determine whether there is sufficient justification to retain the inactive accounts. Normally, inactive cards should be canceled unless

there are extenuating circumstances, such as reasonable expectation of future purchase requirements, or a history of requirements that have irregular buying patterns. Failure to complete the form may result in cancellation of the card in question. AOs will return the form to the A/OPC, who must retain it in his or her purchase card records until the card is either canceled or is no longer considered inactive. A/OPCs should also maintain a record of emergency purchase cards. Emergency cards, which may remain inactive until an emergency is declared, are exempt from the above review and reporting requirement.

E. Account Suspension and Termination

1. Account Suspension

The preferred HHS approach for paying the servicing bank's invoices is to pay the bank's invoice without regard to any disputed or unreconciled transaction and attempt any corrections after the fact ("pay and chase"). This approach maximizes HHS's rebates from the servicing bank. OPDIVs using the "pay-and-chase" approach will not have cardholders' accounts suspended because there will be no delinquent payments.

OPDIVs that do not use the "pay-and-chase" approach may have cardholder accounts suspended for delinquent payments. The servicing bank may initiate suspension of an account if payment for undisputed principal amounts has not been received 45 days from the billing date. The servicing bank will provide the A/OPC with a report identifying the undisputed amount that is overdue. If payment is not received 55 days after the billing date and the servicing bank decides to pursue suspension, the bank will notify the A/OPC of its intent to suspend the account. If payment is not received by the 61st day after the billing date, the servicing bank may then suspend the account. To avoid suspension, all AOs and cardholders are expected to reconcile their accounts promptly after the billing date.

In addition to any bank-initiated card suspensions for delinquent accounts, the A/OPC may suspend a cardholder's account as a disciplinary method for improper card use or failure to adequately perform his or her cardholder duties. Before taking this action, the A/OPC must consider the impact of a cardholder's suspension on the affected organization and take appropriate steps to minimize any adverse impact.

A/OPCs may also use temporary card suspension (deactivation) as a risk-management tool to prevent suspected card misuse.¹ AOs may request a

¹ Another means of accomplishing this is to temporarily reduce the cardholder's single purchase amount to a low dollar value.

temporary suspension or deactivation if the cardholder is expected to be away from the office for more than 5 consecutive weeks. This would include long vacations, training, temporary duty assignments, leaves of absence, and medical leave. Upon the cardholder's return, the A/OPC can reinstate the card if the need still exists. AOs are responsible for notifying A/OPCs of cardholders' expected absences and of their return. In determining whether to temporarily suspend cards, A/OPCs will consider whether the benefits in risk reduction exceed the administrative costs of processing temporary suspensions/deactivations and reinstatements.

2. Account Termination

For OPDIVs that do not use the "pay-and-chase" method for paying the bank's invoices, the servicing bank may initiate cancellation of an account if it has been suspended twice within the preceding 12 months and is currently delinquent. The servicing bank may also cancel accounts that have been past due for 120 calendar days beyond the billing date.

In addition to cardholder and AO transfers, retirement, or other separation from the organization, A/OPCs may terminate cardholder or AO accounts for the following reasons:

- As a disciplinary method for improper use of the card
- For failure of the AO or cardholder to carry out their responsibilities
- For failure to complete the required training
- When an organization's requirements no longer justify the need for a card
- Upon request of the AO or cardholder when they are no longer willing or able to carry out their responsibilities under the HHS purchase card program
- Upon direction by management.

After termination of a cardholder's account, the HCA or designee will revoke the cardholder's delegation of procurement authority (unless the individual also has authority to use non-card procurement methods). Upon termination, the cardholder is responsible for destroying the card by cutting it in half and providing the cut card to the A/OPC.

3. Reinstatement

A/OPCs may reinstate cardholders and AOs whose accounts have been suspended, based upon an assessment of the circumstances. If an AO or

cardholder has had an account suspended or terminated for 12 months or more and the account needs to be reinstated, the AO or cardholder must retake the basic purchase card training.

F. Card and Account Security

Cardholders are responsible for security of the purchase card and account number and may be held personally responsible for misuse. Purchase card DPAs are not transferable and must not be passed on to others to use. Cardholders are responsible for preventing others from gaining access to their cards or account information. The purchase card should be kept on the cardholder's person. Account information should be given only to vendors to complete a purchase transaction. The servicing bank's telephone number should be kept apart from the card and available to the cardholder while off-site.

If the card is lost or stolen, the cardholder must immediately notify the AO, A/OPC, and, by telephone, the servicing bank. If the cardholder believes the card was stolen, he or she must also immediately report the theft to the organization's security office if the theft occurred at an HHS facility, or to the local police if the theft occurred off-site. HHS will not be liable for unauthorized use of the card; however, the cardholder may be held accountable for failure to report the loss of a card as soon as the cardholder becomes aware of the loss. The call to the servicing bank must be followed by a written notice that contains the following information:

- Card number
- Cardholder's complete name
- Date and location of the loss
- Date reported to police (if stolen)
- Date and time the loss was reported to the servicing bank
- List of any transactions made on the date the card was lost or stolen
- Any other relevant information describing the loss or theft.

The servicing bank will issue a replacement card with a new account number, usually within 24 hours. Upon receipt of the replacement card, the cardholder must notify the A/OPC (unless the bank mailed the card to the A/OPC) to ensure that the cardholder's account information is updated and that charges under the previous card have been transferred to the new account. If a lost card is found after receiving a replacement card, it is no longer valid and must be destroyed by cutting it in half.

III. Using the Purchase Card

A. Cardholder Process for Micropurchases

Figure 1 depicts the cardholder process for micropurchases. Each major step is numbered and discussed in greater detail below.

1. Receive Purchase Request from Customer

When purchasing a product or service, the cardholder must comply with OPDIV procedures for any purchase request documentation, whether it is an entry into an automated system or a hard-copy request for approval of the purchase by the AO or supervisor. Before making the purchase, the cardholder must obtain the approvals required by OPDIV procedures.

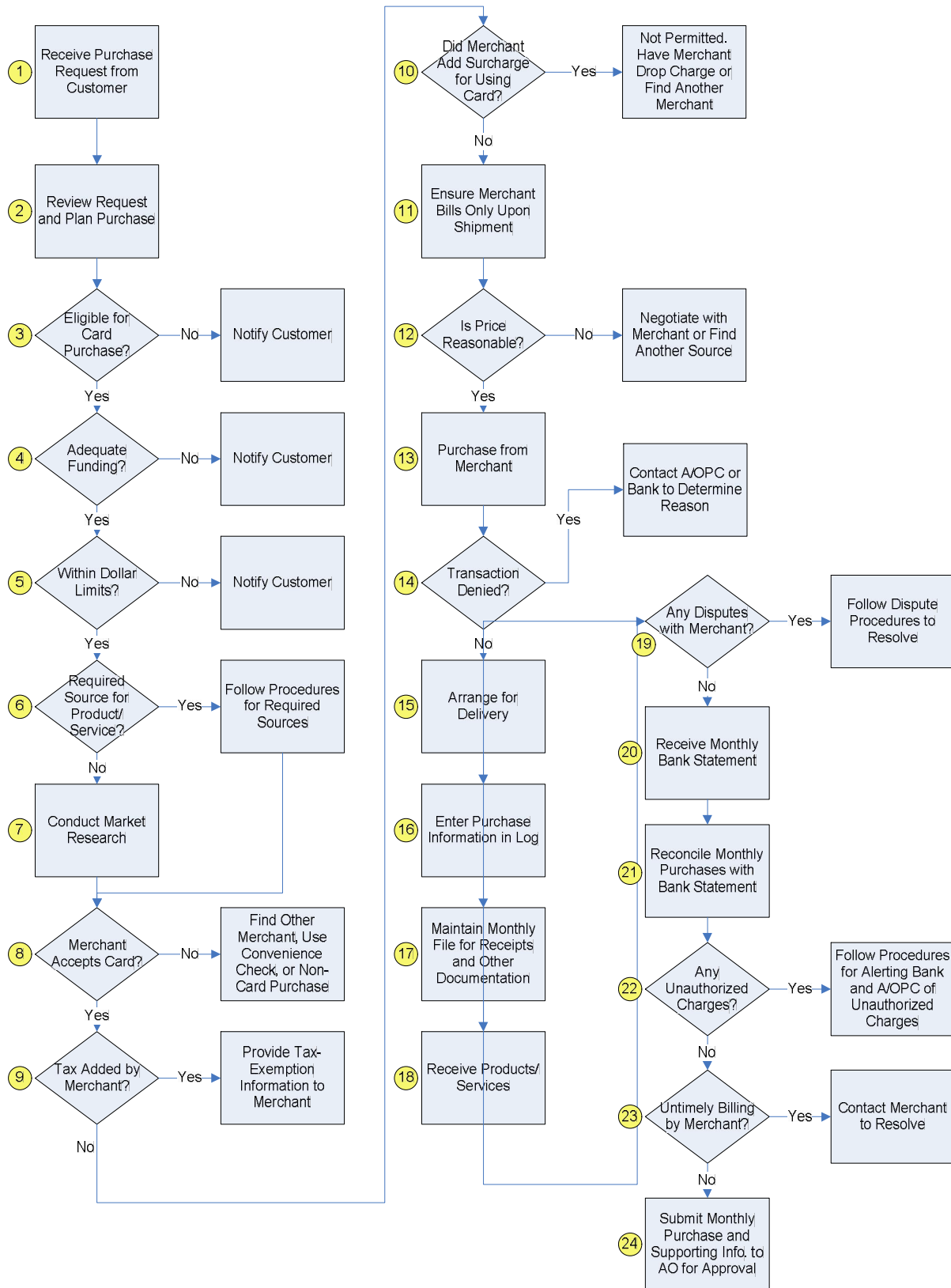
2. Review Request and Plan Purchase

Upon receipt of a request from a customer to purchase a product or service, the cardholder should review the request to make sure the product or service is adequately described so that a vendor will clearly understand what is required. The cardholder also should ensure that the product or service meets a legitimate need of the Government and is not for a personal benefit.

The purchase card is intended to purchase standard, commercial, and off-the-shelf products and services. The card must not be used to purchase products that require modifications to meet the customer's needs or to purchase complex services that require a quote or that must be altered in any way to meet the customer's requirements. Customized products or services are to be purchased by the OPDIV's contracting office. The cardholder is also not permitted to use the purchase card for products or services that must be delivered or performed at different times in the future (partial deliveries or performance). (See [III.A.11](#) for related coverage of backorders and exceptions.)

During each monthly billing cycle, the cardholder should plan purchases to maximize the benefit to the Government and the customer. For example, repetitive requests for the same product should be consolidated to obtain a better price from the vendor and to reduce the number of transactions. However, the urgency of the requirement should also be considered and purchases made accordingly. If a requirement exceeds the cardholder's single purchase or monthly limit, the cardholder must not divide the requirement into two or more smaller requirements to avoid exceeding the limit. Doing so is a misuse of purchase card authority. The cardholder should refer any requirement that exceeds his or her purchase card authority to the OPDIV's contracting office for purchase.

Figure 1. Cardholder Process for Micropurchases



3. Eligible for Card Purchase?

The products or services to be purchased must be eligible for purchase using the purchase card. The card must not be used for the following:

- Long-term lease of land or buildings
- Travel or travel-related expenses (excluding conference rooms, meeting spaces, and local transportation services, such as Metro farecards)
- Cash advances.

OPDIV A/OPCs may block certain types of merchants from the card. If the cardholder is unable to purchase a product or service from a blocked merchant but believes the requirement is valid, he or she should contact the A/OPC to determine if the blocked merchant category code can be temporarily lifted. (Version 2.0 of this guide will contain HHS and OPDIV lists of products and services that have purchase restrictions, require special approval, or cannot be purchased using the card.)

If the product or service cannot be purchased using the card, the cardholder should advise the customer to submit a requisition to the OPDIV contracting office.

4. Adequate Funding?

Depending on the OPDIV's policies, the card may have been assigned a default accounting code to ensure that any purchases will have adequate funding. If the OPDIV has not assigned a default accounting number, then purchases require preapproval to ensure that adequate funding exists. The cardholder must follow the OPDIV's procedure for obtaining any funding preapprovals. If in doubt, the cardholder should check with the AO. Funding levels can sometimes be uncertain at the end and beginning of a fiscal year, so it is important to verify the availability of funding during these times.

The cardholder must also ensure that the product or service to be purchased meets a bona fide need of the organization. The bona fide needs rule of appropriations law says that a fiscal year's appropriations must be used only for a legitimate need that arises during the year for which the appropriation was made. The cardholder must use current-year funding to purchase items that are needed during the current fiscal year. For these products or services, the cardholder may accept receipt or delivery of the products or services in the next fiscal year, for example, a product purchased in late September can be accepted in October. However, current-year money must not be used to purchase products or services that will not be needed until the next fiscal year.

The bona fide needs rule has some limited exceptions, such as a subscription or license renewal that will be delivered or become effective during the next fiscal year. The A/OPC can provide guidance on whether the requirement is for bona fide needs in the current fiscal year.

5. Within Dollar Limits

Assuming adequate funding is available to make the purchase, the cardholder must then determine whether the product or service can be purchased under the single purchase limit and will not exceed the monthly purchase limit. If the purchase cannot be made under the dollar limits, the cardholder should notify the customer to submit the requirement to the contracting office. The requirement must not be split into two or more separate requirements to avoid exceeding the single purchase limit. This practice is a violation of FAR 13.003(c)(2), an extract of which states the following:

Do not break down requirements aggregating more than the...micropurchase threshold into several purchases that are less than the applicable threshold merely to...avoid any requirement that applies to purchases exceeding the micropurchase threshold.

Cardholders who fail to comply with the above requirement may risk cancellation of their card privileges or other disciplinary measures.

Purchases made in support of contingency operations or to prevent or recover from nuclear, biological, chemical, or radiological attack have an increased micropurchase dollar threshold. Instead of \$2,500, the threshold is \$15,000 for purchases inside the United States and \$25,000 for purchases made outside the United States. In addition, Congress may pass legislation that temporarily raises the threshold under certain circumstances, such as purchases in support of hurricane relief.

In cases such as those described above, purchase limits are not automatically increased. To use the higher purchase limits, the AO or other manager in the OPDIV must send a request to the A/OPC with an appropriate justification. If the request is granted, the A/OPC or AO will notify cardholders. The A/OPC also will notify cardholders when the conditions no longer exist and purchase limits revert to their original amounts.

6. Required Source for Product/Service?

Purchase card transactions are subject to FAR Part 8 regarding the use of required sources. Before a product or service can be purchased on the open market, the cardholder must first determine if it can be obtained from or through one of the required sources. For HHS purchase card users, the required sources are listed below in descending order of priority. The

order of priority differs depending on whether a product or a service is being purchased. If the product or service is available from one of the required sources, but the cardholder determines not to purchase from that source due to price, quantity, delivery time, quality, or other reason, he or she must comply with any waiver requirements for that source contained in FAR Part 8 and this guide. The required sources are as follows:

- For products (supplies):
 - HHS and OPDIV inventories.
 - Excess from other agencies.
 - [Federal Prison Industries](#) (UNICOR). Federal Prison Industries is a required source only for items totaling \$2,500 or more. Cardholders who have purchase card authority greater than \$2,500 and are purchasing items costing more than \$2,500 should see FAR Subpart 8.6 for the evaluation procedures.
 - Products that are on the procurement list maintained by the Committee for Purchase from People Who Are Blind or Severely Disabled. This committee comprises Javits-Wagner-O'Day (JWOD) Act nonprofit agencies: National Industries for the Blind (NIB) and National Industries for the Severely Disabled (NISH). JWOD products can be purchased through contractors on GSA Schedules, GSA wholesale supply sources, or self-service retail stores.
 - Wholesale supply sources, such as GSA stock programs.
 - HHS-wide indefinite-delivery, indefinite-quantity (IDIQ) contracts or blanket purchase agreements (BPAs) awarded under HHS's strategic sourcing program (see below).
 - Federal schedules.
 - HHS preferred sources. An OPDIV may have awarded an IDIQ contract or a BPA for products and services not covered by any of the instruments or sources in the order of priority above. The OPDIV A/OPC can provide information on these contracts. Before going to open market sources to fill the requirement, the cardholder should first check to see if it is available from an existing OPDIV contract or BPA and if the price, delivery time, quality, and quantity offer a fair value to HHS. These instruments have been negotiated in advance and usually provide for discounts beyond what can be obtained on the open market. When using another vendor for a product or service covered under an existing OPDIV contract or BPA, the

cardholder must document the reasons before going to the open market to fill the requirement.

- Commercial sources (open market purchases). When purchasing from open market sources, the cardholder should consider purchasing from small businesses to the greatest extent possible.
- For services:
 - Services that are on the procurement list maintained by the Committee for Purchase from People Who Are Blind or Severely Disabled (JWOD services).
 - HHS-wide IDIQ contracts or BPAs awarded under HHS's strategic sourcing program (see below).
 - Federal schedules.
 - HHS preferred sources.
 - Commercial sources (open market purchases). When purchasing from open market sources, the cardholder should consider purchasing from small businesses to the greatest extent possible.

HHS-Wide Indefinite Delivery/Indefinite Quantity Contracts or BPAs Awarded Under HHS's Strategic Sourcing Program: HHS has awarded a number of IDIQ contracts and BPAs as part of a strategic sourcing initiative. These instruments (1) are designed to lower costs and increase efficiency for the purchase of certain products and services used throughout HHS, (2) provide discounts of 6%–21% over traditional contracting methods and offer substantial savings to HHS, and (3) have a higher order of priority than federal schedules. The strategic sourcing contracts and BPAs have higher priority than commercial, open market sources. Strategic sourcing contracts and BPAs exist for the categories shown in Table 2. The HHS strategic sourcing websites (<http://intranet.hhs.gov/ssc/> and <http://intranet2.hhs.gov/hwac/>) contain detailed information on the contractors, products and services available, and the ordering procedures.

Table 2. Categories of Strategic Sourcing Contracts and BPAs

| Category | Scope |
|---|--|
| Contract closeout | Physical and administrative closeout of expired contracts and orders |
| Custodial products | Janitorial and sanitary supply products |
| Events management | Professional and scientific seminars and conferences, pre-event planning, facilitation, A/V services, venue arrangements, attendee registration, attendee travel and hotel arrangements, fiduciary services, project management services, and information systems infrastructure |
| IT peripherals and hardware | Printers, monitors, data storage, routers/switches, scanners, input devices (keyboards, mice), and memory (excludes desktop and laptop computers, servers, and software) |
| Lab supplies | Laboratory and medical supplies, instruments, equipment, and inorganic chemicals |
| Office equipment | Purchase, lease, and maintenance of copier equipment (standalone copiers or multifunctional equipment) |
| Office furniture | Desks, modular and systems furniture, seating, tables, filing, storage, and computer workstations (Haworth, Kimball, Steelcase, and Trendway manufacturers only) |
| Office supplies | General office supplies, copier paper, and toner |
| Temporary medical and professional staffing (TPMS) | Temporary administrative staffing resources such as secretaries, computer programmers, paralegals, and technical writers |
| Temporary administrative and professional staffing (TAPS) | Temporary medical staffing resources such as physicians, nurses, and allied healthcare professionals |

If the cardholder must use a non-HHS strategic sourcing vendor, he or she must complete a waiver form to document the case. The waiver process is designed to formally document approved exceptions to using a vendor other than one of the strategic sourcing or contract closeout vendors. To facilitate this process, an online waiver form was developed. The form can be accessed at http://dbh.ogam2000.com/HHS_Strategic_Sourcing/Data_Collection/waiver.asp. The waiver instructions can be found at the above link as well.

To streamline the waiver approval process, all approvals take place within the OPDIV (no departmental approvals are required). However, ASAM will review waivers regularly and will follow up when anomalies,

opportunities for improvement, etc., arise. For assistance with the waiver process, contact one of the following strategic sourcing representatives:

- Kesa Russell, Strategic Sourcing Project Manager, (202) 690-7326
- Cheryl Howe, ASAM/OAMP, (202) 690-5552
- Tracey Mock, AIM Project Manager, (202) 205-4430.

7. Conduct Market Research

When purchasing products or services from commercial sources, cardholders should perform market research to ensure that the Government will get the best value from the merchant selected. Getting the best value for the Government requires evaluating price, delivery, service, reliability, quality, and any other factors that are important. Considering the assessment of the merchants and the customer's need, the cardholder should select the merchant that provides the best combination of factors for the requirement. The merchant with the lowest price does not have to be selected if another merchant offers a better value. Cardholders that have obtained prices from more than one merchant and decide to make a best-value purchase from a merchant that does not have the lowest price should document the decision, indicating the merchants and prices and including a brief statement of the rationale for the decision.

Cardholders that have repetitive requirements for the same or similar products and services should rotate purchases among qualified merchants when possible, to avoid showing favoritism to a particular merchant.

8. Merchant Accepts Card?

Once the cardholder has selected a merchant, he or she should verify that the merchant accepts the purchase card. (Because the merchant may not be familiar with the term "purchase card," simply ask if it accepts VISA cards.) If the merchant does not accept the purchase card, the cardholder has three options: (1) find another merchant that does accept the card; (2) pay the merchant using a convenience check, if authorized in the OPDIV (see [III.D](#)); or (3) have the requirement purchased through other means by the contracting office.

Third-Party Credit Card Processors

Some merchants, usually small businesses doing business over the web, may not have their own merchant account to accept credit cards. Instead, the merchant may use a third-party credit card processor to handle credit card transactions on behalf of the merchant. Technically, when paying a merchant through a third-party processor, the buyer is actually completing the transaction with the processor, not the merchant. The name of the

processor will appear on the monthly statement of account instead of the merchant.

HHS policy prohibits using the Government purchase card to pay merchants through a third-party processor because of the greater risk of abuse, issues involving disputed transactions, and difficulty identifying and reconciling transactions. There are two exceptions to this prohibition:

- *No other merchants can supply the product or service or meet delivery, quantity, or quality requirements, and the merchant in question will accept payment only through the third-party processor.* In this case, the cardholder may use the card to purchase the product or service but must document the purchase file with the name of the merchant, the name of the third-party processor, the amount of the transaction, and a brief statement explaining why it was necessary to purchase the product or service from that merchant.
- *The cardholder used the card to purchase from a merchant but was unaware that the merchant was using a third-party credit card processor.* In this case, the cardholder may not know that a third-party processor was used until he or she receives the bank statement. It may be difficult to reconcile the purchases because the transaction may appear under the name of the third-party processor instead of the merchant name. Before contacting the bank to dispute a transaction that, on the surface, may appear to be invalid, the cardholder should attempt to match the purchase amount on the bank statement with the purchase log and records, contacting the merchant if necessary to confirm whether it uses a third-party processor.

The cardholder should document the purchase file and send an informational e-mail to the A/OPC indicating the names of the merchant and third-party processor. A/OPCs must keep a list of merchants using third-party processors and periodically advise their cardholders to avoid these merchants if possible. The following are some common third-party processors:

- 2Checkout
- CCBill
- CCNow
- DigiBuy
- iBill
- Kagi
- Multicards
- PayPal

- ProPay
- RegNow.

There may be other third-party processors besides those listed here.

Cardholder accounts with transactions involving third-party credit card processors may be subjected to increased oversight and auditing.

9. Tax Added by Merchant?

The cardholder should check with the merchant to determine whether tax was added to the purchase price. All U.S. Government purchases are tax exempt. If tax was added, the cardholder should ask the merchant to remove the tax and, if requested to provide documentation or a tax exempt number, should provide the merchant with the OPDIV's employer identification number (EIN) or a copy of the state's tax exempt letter. If the merchant still refuses to remove the tax, and the cardholder and AO are unable to resolve the matter, the cardholder must document the file that the attempt was made. The HHS OPDIV's EINs are as follows:

AHRQ—520821668B1
CDC—586051157
CMS—520883104
FDA—530196965
HRSA—520821668
IHS—520821668
NIH—520858115
PSC—520821668
SAMHSA—520821668A8.

10. Did Merchant Add Surcharge for Using Card?

The cardholder should check to ensure that the merchant does not add a separate fee or premium for using the purchase card. Fees or premiums are not permitted by VISA. This includes instances in which a merchant may pay a fee to another merchant to process the transaction in the VISA system. The cardholder should contact the A/OPC if the merchant insists on adding a fee.

Merchants are also prohibited from requiring a minimum or maximum transaction amount as a condition for accepting the card. Merchants also cannot require cardholders to complete a postcard or similar document that includes the account number, card expiration date, signature, or other account data that would appear in plain view when mailed. Cardholders that encounter these situations should ask the merchant to delete that requirement and should contact the A/OPC if the merchant refuses.

11. Ensure Merchant Bills Only Upon Shipment

The cardholder should ensure that the merchant charges the purchase card account only upon shipment of the items. This is required by VISA regulations, so merchants should not be billing in advance. Cardholders must not place orders for products that have to be backordered,² but they may order products that are currently available in the merchant's warehouse and will be delivered within the next billing cycle. In such cases, the cardholder should confirm that the merchant will bill the account only upon shipment of the item. The one exception to backorders is for subscriptions (including scientific reprints), which are paid for and then delivered in subsequent periods. Cardholders should maintain complete records of purchases, because items with delayed billing and delivery can complicate the monthly reconciliation process.

12. Is Price Reasonable?

When using the purchase card for purchases at or below the micropurchase threshold, cardholders are permitted to contact a single merchant and make an award to that merchant, without obtaining competitive prices from other merchants, provided they believe the price to be reasonable. However, the cardholder must verify and document price reasonableness in two instances. The first instance is when the cardholder suspects, or has information to indicate, that the price may not be reasonable. In this case, the cardholder may attempt to negotiate a lower price with the merchant or contact other merchants to obtain additional prices. The second instance is when the cardholder is purchasing a product or service for which there is no comparable pricing information available, such as records of previous purchases for the same or similar products or service. In both instances, the cardholder must include, with the purchase documentation, an explanation of how price reasonableness was determined.

Cardholders who are authorized to use the purchase card above the micropurchase threshold must follow the policies in FAR Part 13, Simplified Acquisition Procedures, for determining price reasonableness.

13. Purchase from Merchant

When ready to complete a purchase, the cardholder should ask the merchant if there are any discounts for U.S. Government purchases. Some merchants may apply this discount automatically at the point of sale. The cardholder should also determine if there are any additional charges for

² A backorder is defined as an item that has not been manufactured or is out of stock and not available in a merchant's warehouse.

shipping, establish the delivery time, and inquire about the merchant's return policies should there be a problem with the item. Before completing the transaction, the cardholder should check the sales amount to make sure it agrees with the price quoted.

If making an over-the-counter purchase, the cardholder must take the product from the merchant at the point of sale, obtain a customer copy of the sales receipt, and make sure any extra copies of the sales receipt are destroyed. The sales receipt must be retained in the monthly purchase card documentation file.

If making a telephone order, the cardholder must make sure that the product or service can be adequately described over the phone so that the merchant has a clear understanding of what is required. Orders for complex products or services that require lengthy descriptions should be documented in writing as opposed to purchased over the phone. When ordering over the phone, the cardholder will need to provide the merchant with the account number and expiration date. Some merchants may also request a billing address.

If the product will be shipped, the cardholder will need to provide a shipping address and should ask the merchant to include the following on the packing slip:

- Cardholder's name and office
- Complete delivery address, including mail stop if required
- Cardholder's telephone number
- The term "credit card."

The merchant must *not* include the card number on the shipping label or packing slip.

If the product will be picked up from the merchant by someone other than the cardholder, and the merchant requires that a receipt be signed, the person picking the product up should sign the receipt as "Received by ____." The cardholder should retain this receipt in the monthly documentation.

14. Transaction Denied?

If the transaction is denied during the card authorization process, the cardholder should do the following:

- Determine whether the transaction amount exceeds either the single purchase limit or the monthly limit. If either limit is exceeded, the transaction will be denied.
- Check the card expiration date to determine if the card is still valid.
- For telephone or other purchases that do not use electronic card readers, ask the merchant to verify that it has recorded the account number and expiration date correctly.
- Contact the servicing bank using the toll-free number on the card and try to determine why the transaction was declined.
- Contact the A/OPC to determine the reason the transaction was declined. The merchant category code may have been blocked as an ineligible business for use with the card. Appropriations law and GSA SmartPay regulations prohibit purchase card transactions with certain types of businesses, such as travel services, lobbyists, and liquor stores. If the merchant has a blocked code, but upon review is determined to be a valid business for use with the card, the A/OPC can contact the servicing bank and temporarily have the restriction lifted.

15. Arrange for Delivery

If the product is to be shipped to a location that is outside of the cardholder's office, the cardholder must arrange for an individual in the receiving office to confirm receipt of the product by signing and dating the shipping document, packing slip, or other receiving document. The receiving official must forward the document to the cardholder, who should then retain the document in the purchase card file.

If the product is shipped directly to the cardholder's office, the cardholder must sign and date the shipping document, packing slip, or other receiving document and retain it in the purchase card file.

16. Register Purchase Information in Log

After making a purchase using the card, the cardholder must register the purchase in the purchase card log (electronic or paper depending upon the OPDIV). At a minimum, the log must include the date purchased, a description of the product or service, the merchant name and address, the amount paid, and the date received. The cardholder must then compare the

logged purchases with the transactions reported by the bank (electronically or on the monthly bank statement) and check to see if the dollar amounts agree. If there are differences between the logged purchase and the bank's transaction record, the cardholder should contact the vendor to attempt to resolve the discrepancy. If it cannot be resolved with the vendor, the cardholder must treat the discrepancy as a disputed item and follow the procedures under [III.A.19](#).

17. Maintain Monthly File for Receipts and Other Documentation

The cardholder must maintain a monthly file of all records and documents related to purchases made during the month. The documents include price quotes, receipts, telephone records, shipping documents, price justifications, and any other documents related to the purchases.

At the end of each month, the cardholder should transfer the monthly file to a central filing system where all office purchase card records are maintained. In accordance with FAR 4.805, the cardholder's purchase card files must be retained for a total of 3 years after payment, following OPDIV procedures for on-site and off-site storage.

18. Receive Products/Services

When the cardholder or the customer receives delivery of a product, the cardholder should compare the product delivered with what was ordered to ensure that the proper item was delivered and that is not damaged or defective. If the product (or service) delivered differs from what was ordered, the cardholder should contact the merchant to resolve the problem. If a merchant refuses to replace the product or make corrections, then the transaction will be considered to be in dispute.

19. Any Disputes with Merchant?

Disputed transactions occur when the cardholder and the merchant are unable to resolve questioned transactions and the servicing bank must be involved in the resolution. Disputes typically involve erroneous charges or duplicate charges on the account. Before notifying the bank, the cardholder must first try to resolve the dispute with the merchant.

If the merchant refuses to resolve the problem, the cardholder must complete a Cardholder Statement of Questioned Item (CSQI) (available from the AO) and, in order to preserve dispute rights, must either fax or mail the form to the servicing bank within 60 days from the date the questioned item appeared for billing. (The servicing bank will not accept CSQIs that are received after the 60 day time frame.) The cardholder must keep a copy of the form in his or her records, as well as provide a copy to the AO. The servicing bank will issue a credit for the transaction until the dispute is resolved.

Examples of disputes include the following situations and their associated documentation required:

- *Defective items not replaced*—CSQI describing when and how item was returned and proof of return.
- *Incorrect or altered transaction amounts*—CSQI stating the correct amount and copy of the original receipt.
- *Canceled transactions not credited on your account*—CSQI indicating the date of cancellation and a copy of supporting documentation.
- *Duplicate transactions*—CSQI, identification of the correct and duplicate transactions, and a copy of receipt for the correct transaction.
- *Products/services ordered but never received*—CSQI with expected date of receipt and explanation of attempts to resolve the dispute with the merchant (include the date and name of the person spoken with at the merchant).
- *Product returned to merchant (other than in person)*—CSQI with explanation of how the product was returned and a copy of proof of return. (Products must be returned by a verifiable means.)
- *Canceled recurring transaction (such as a subscription)*—CSQI and a copy of cancellation notice sent to the merchant.
- *Credits never received*—CSQI stating that a credit has not been received and a copy of the credit slip or other documentation from the merchant showing the credit amount.
- *Invalid transactions*—CSQI stating that the transaction did not occur.
- *Shipping one item but billing for another*—CSQI stating that the merchandise received was different from what was ordered, proof of what was ordered, a copy of the return receipt, and an explanation if the product was not returned.
- *Unrecognized charge*—letter, signed by the cardholder or the disputes official, stating that the transaction was not recognized. The merchant has 30 days to respond to the servicing bank. If the merchant provides a copy of the receipt, the cardholder will have 20 days to review it and notify the servicing bank if he or she still does not recognize the transaction.

The cardholder cannot dispute shipping charges, tax, exchange rates, or convenience check purchases with the servicing bank. These items must be resolved directly with the merchant.

For advice or assistance regarding any dispute-related issue or problem, the cardholder should contact the OPDIV's disputes official, if one has been designated, or the A/OPC.

20. Receive Monthly Bank Statement

Cardholder purchases made during the monthly billing cycle will be reflected on the bank's monthly statement. Depending on the OPDIV's card system and processes, the bank statement may be in an electronic or hard-copy form. If received electronically, the individual card transactions are downloaded to the purchase card system by the bank throughout the billing cycle. The cardholder should review the transactions individually and reconcile them as they occur. If the servicing bank provides a hard-copy statement, it will mail the statement after the close of the billing cycle. The statement will contain all of the card transactions made by the cardholder during the billing cycle.

21. Reconcile Monthly Purchases with Bank Statement

The cardholder must review the bank statement to ensure that all of the cardholder's actual purchases and transactions are matched to the corresponding transactions on the bank statement and registered in the electronic purchase card system. If the OPDIV does not use an electronic purchase card system, follow OPDIV guidance for reconciling the transactions.

22. Any Unauthorized Charges?

The cardholder should review his or her account regularly for any unauthorized charges. An unauthorized or unrecognized charge could be the result of a clerical error by a merchant, or it could be an indicator that the account number has been compromised. If the cardholder suspects an error, then he or she should follow the dispute procedures in [III.A.19](#). If the account has been compromised, the cardholder should immediately notify the servicing bank, AO, and A/OPC.

23. Untimely Billing by Merchant?

The cardholder should continually review the account to ensure that merchants are billing promptly for products or services ordered. Although VISA regulations allow merchants to invoice up to 1 year from the date of purchase, the cardholder should monitor merchant billing practices and encourage merchants to bill upon shipment. Otherwise, billing could occur months in the future, making it difficult to reconcile the amount with the

original purchase. The cardholder should contact the merchant and attempt to resolve all instances of untimely billing.

If an unbilled transaction exists in the account, yet the merchant reports that it has been paid, then the merchant may have mistakenly billed another VISA account. If the merchant is unable to determine the source of the error, the cardholder should document that fact and retain the documentation with the other monthly purchase card records.

24. Submit Monthly Purchase and Supporting Information to AO for Approval

At the end of the billing cycle, the cardholder must sign the statement of account (either a printout from the card management system or the servicing bank's hard-copy statement, depending on the OPDIV) detailing the monthly transactions, attach the receipts, and submit it to the AO for review and signature.

If the AO questions the legitimacy of any purchase and the cardholder is unable to justify the purchase, the cardholder may have to provide restitution to the Government, or return the unauthorized products to the merchant and obtain a credit to the account. The cardholder may also be subject to administrative or criminal penalties for card misuse or fraudulent actions.

B. Use of the Purchase Card Above the Micropurchase Threshold

Cardholders who have received advanced training in accordance with [II.B.1](#), and have been delegated authority to use the purchase card above the micropurchase level, are considered to be part of the acquisition workforce. Those cardholders are required to follow the policies and procedures in FAR Part 13 and HHSAR Part 313, Simplified Acquisition, with respect to any purchase that exceeds the micropurchase threshold. The cardholder must adhere to the requirements for competition, public notice, small business reservation, and use of appropriate provisions and clauses. Other administrative procedures specific to the card program—for example, logging and reconciling transactions, and disputing transactions—will still apply.

C. Approving Official Process

AOs are responsible for performing the following duties:

- Requesting that new cardholder accounts be established and recommending the cardholder's single purchase and monthly purchase limits. AOs must document the need for all cardholder accounts in accordance with the procedures in this guide.

- Reviewing and approving each transaction for all of the assigned cardholders. AOs must verify that all transactions were for a bona fide Government need and in accordance with the FAR, HHSAR, this guide, and any OPDIV-specific procedures. If the cardholder is not able to justify any questioned transaction, the AO must advise the cardholder to return the item to the merchant, if possible, and obtain a credit for the full amount of the purchase. If it is not possible to return the item, the AO must notify the A/OPC of the misuse. The cardholder may have to provide restitution to the Government for unauthorized purchases. After reviewing and approving the purchase transactions, the AO must sign the statement of account and retain it in the official purchase card file.
- Viewing each cardholder's account and verifying that the correct accounting information has been assigned to the transactions.
- Assisting your cardholders with resolving disputed transactions.
- Ensuring that your cardholders maintain all documentation related to each purchase and that monthly purchase card documentation is stored in accordance with records retention requirements and OPDIV procedures.
- Serving as a liaison between the cardholders and the A/OPC.
- Monitoring cardholder practices and reporting all instances of misuse or suspected fraud to the A/OPC.
- Reconciling purchase transactions against the bank statement of account on behalf of a cardholder when the cardholder is absent due to illness, extended leave, or other assignments.

D. Convenience Checks

Convenience checks are issued by the servicing bank to an individual cardholder or other individual authorized to use them. Convenience checks are used when the merchant does not accept the purchase card. Convenience checks must be requested by the AO by contacting the A/OPC by memo or e-mail and including a justification for the checks. The A/OPC will make the final determination whether or not to order convenience checks.

1. Convenience Check Policies

Policies on convenience checks are as follows:

- Checks may be used only when the merchant does not accept the purchase card. HHS pays a surcharge each time a convenience check is used.

- Checks must not be written for amounts greater than \$2,500.³ In this case, the requirement must be submitted to the contracting office for purchase through other methods. Also, using more than one check to pay for a single product or service, or splitting the requirement so that it falls below the \$2,500 threshold, is not allowed.
- Checks must not be written to “Cash” or to any other Government employee under any circumstances.
- The only person authorized to sign a convenience check is the individual to whom it was issued. This signature requirement may not be delegated or transferred to another person.
- Checks must be written in U.S. dollars only.
- Purchases made with convenience checks are tax exempt.
- When using a convenience check, the checkwriter must record the vendor’s name, address, phone number, check number, and check amount on the Convenience Check Purchase Record. In addition, when writing a check to an individual, sole proprietor, partnership, or corporation in payment for services, the checkwriter must collect the Taxpayer Identification Number (TIN), which can be the EIN or social security number. This information is required by the finance office to prepare the IRS-required 1099-MISC forms.
- Copies of canceled checks are available from the servicing bank for 3 years.
- Checks are issued in quantities of 150. Only the A/OPC is authorized to request check reorders from the servicing bank.
- The checkwriter must adhere to his or her single purchase and monthly purchase limits when using convenience checks. The purchase limits will be validated during the check-clearing process. If limits are exceeded, the check will be returned unpaid. This practice must be avoided because of the resulting increased administrative costs to pay the vendor and the negative impact on vendor relations.

Delays by a merchant in cashing a check or in the check-clearing process could result in monthly purchase limits being exceeded, because the check transaction may be recorded against the monthly

³ An exception to this policy applies to contracting personnel in an OPDIV’s contracting office who may have this authority under the terms of their warrant.

limit in the next billing cycle. The checkwriter should keep track of their outstanding checks and be aware that the transaction could be unexpectedly applied against the current monthly limit. If the monthly limit is exceeded, the bank will return the check to the merchant unpaid. To reduce this risk, the checkwriter should advise the merchant to cash the check promptly.

- The bank disputes procedure does not apply to convenience checks. Any disputes involving convenience checks must be resolved directly with the merchant.
- Convenience checks must be kept in a secure location (such as a locked safe) and protected against theft, loss, and forgery. The cardholder may be held personally responsible for any loss incurred as a result of his or her failure to safeguard the checks. Convenience checks do not require bank approval to use and have no automated controls to restrict merchant category codes or prevent single purchase limits from being exceeded. As a result, extra diligence is required to ensure that convenience checks are not misused or used fraudulently.

2. Checkwriter Responsibilities

When using convenience checks, checkwriters have the following responsibilities:

- Follow purchase card procedures for purchasing products or services, including use of required sources.
- Obtain a price quote and receipt (describing the purchased products) from the merchant, and pick up the purchased products within 2 business days. Attach this information to a copy of the Convenience Check Purchase Record.
- Obtain the merchant's name, address, and phone number, and enter the information in the Convenience Check Purchase Record along with the check number and amount. If writing a check to an individual, sole proprietor, partnership, or corporation for payment of services, the checkwriter must also collect the TIN, which can be the EIN or social security number.
- Record and log the purchase transaction.
- Review the transactions against the bank statement, and identify any errors in the dollar amounts. Keep track of outstanding checks that may appear as transactions on future billing statements.

- Store the convenience checks in a secure, locked location, such as a safe.
- Maintain records related to convenience check transactions and store them in accordance with records retention requirements and OPDIV procedures.
- Immediately notify the A/OPC and AO if fraud related to the use of a convenience check is suspected.

E. Property Accountability

Accountable property is all Government property acquired at a cost of \$5,000 or more, and all items costing less than \$5,000 that are deemed sensitive items. Sensitive items are those that require special controls or are potentially subject to unusual rates of loss, theft, or misuse. OPDIVs may identify products that are considered sensitive. The purchase card may be used to obtain accountable property (if within card limits and if authorized for purchase using the card). Cardholders and other personnel who receive accountable property must follow all HHS and OPDIV policies and procedures with respect to preapprovals and recording such property upon receipt.

F. Liability of Cardholders and Approving Officials

The Government purchase cards (and convenience checks) are for official use only. Personal purchases are not permitted, nor are purchases of any unauthorized products or services. Violations of HHS purchase card policies and procedures may result in immediate cancellation of the card and disciplinary action against the cardholder, AO, or both. The range of disciplinary actions, which may vary with the severity of the infraction, will be applied in accordance with HHS employee relations, legal, and management guidelines. The following are possible disciplinary actions:

- Informal counseling
- Reprimand
- Suspension or termination of cardholder privileges
- Remedial training
- Reassignment
- Restitution to the Government
- Suspension of employment

- Demotion
- Termination of employment.

Intentional misuse of the card will be considered an attempt to commit fraud against the U.S. Government, and in addition to the disciplinary actions above, the individual may be subject to a fine of not more than \$10,000, or imprisonment for not more than 5 years, or both under 18 U.S.C. 287.

Cardholders who intentionally misuse their cards will be held personally liable to the Government for the amount of any unauthorized transactions, plus interest and debt collection fees. AOs or others who collude with cardholders to misuse the card or to commit fraud, or who use their position or authority to cause misuse of the card, will also be subject to the disciplinary and criminal actions above.

IV. Managing the Purchase Card Program

Note: This section will be developed and published in the next version (version 2.0) of the guide

Appendix A. Authorizing Contractors' Use of GSA's SmartPay Program

Only cost reimbursement contractors are eligible to use GSA's SmartPay program to acquire goods or services to further the objectives of a Government contract. The authorization is granted in accordance with the policies and procedures prescribed in FAR Part 51.101, Use of Government Supply Sources. FAR provisions require that the contractor receives a letter of authorization from his/her contracting officer before submitting the request to GSA to use the source of supply in performance of the contract.

GSA will furnish the contractor an application for other-than-Federal agencies to use the SmartPay program as a source of supply in performance of the contract upon receipt of the contracting officer's letter of authorization. The completed application provides GSA the information for determining contractor's eligibility and the contractor's agreement to abide by the terms and conditions for program participation. Definitions and guidelines concerning eligibility may be found on GSA's website: <http://www.gsa.gov/portal/gsa>. The website also provides a downloadable version of the application. The completed application may be electronically submitted or mailed to GSA, Federal Supply Service (FCXC), 1941 Jefferson Davis Highway, Arlington, VA 22202.

Contractors determined by GSA as eligible to use the SmartPay program as a source of supply in performance of the contract will receive a letter from GSA with instructions for placing an order under GSA's master contract for Government-wide commercial card service. A full copy of the contract (GS-23F-98002) may be found on GSA's website: <http://www.gsasmartpay.gov>. The website includes a task order guide, an overview of the program, and samples for developing requests for proposals.

The contractor using the SmartPay program is responsible for the administrative and staffing requirements for program compliance. This includes, but is not limited to, program management and structure, account maintenance, prompt payment, training, and monitoring of cards for appropriate usages. HHS employees may not serve as A/OPCs, AOs, or cardholders in the contractor's charge card program. The responsibility for ensuring that the contractor's card service program is in accordance with Federal and departmental regulations is shared between the cognizant HHS contracting officer and the project officer.

The contracting officer has the duty to promptly report any contractor's improper management of the purchase card program to GSA. GSA has complete authority to settle disputes and to terminate the contract with the bank for the card service program.

Appendix B. Templates

This appendix contains the following templates:

- Standard Delegation of Procurement Authority Memo
- Cardholder and Approving Official Training Certification
- Status of Inactive Purchase Card



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Date:

From: [HCA or Designee Name and Address]

To: [Cardholder Name and Address]

Subject: Delegation of Procurement Authority for Micropurchases using the Government Purchase Card

In accordance with Federal Acquisition Regulation (FAR) Subpart 1.6, and HHS Acquisition Regulation (HHSAR) Subpart 301.6, you are hereby delegated authority to make official purchases for your organization using the Government Purchase Card under the GSA SmartPay® Program. All purchases made under your authority are subject to the FAR, HHSAR, HHS Purchase Card Guide and any OPDIV procedures to be listed in the Appendices of Version 2.0 of the HHS Purchase Card Guide. Your authority is subject to the following limitations:

Single Purchase Limit:

☐ Micropurchase Threshold (\$2,500 for products and services; \$2,000 for construction; the thresholds for contingency and nuclear, biological, chemical, or radiological incidents (as determined by the head of the agency per FAR 13.201(g)); or other higher threshold established by law, regulation, Executive Order, or other directive), or

☐ \$_____ [Amount not to exceed \$2,500]

Monthly (Billing Cycle) Purchase Limit: \$_____

☐ Additional restrictions or limits on card use as specified below:

[List any additional restrictions on card use here]

Your Approving Official (AO) is: [AO name and phone]

Your Agency/Organization Program Coordinator (A/OPC) is: [A/OPC Name, Address, Phone, E-mail]

This delegation of authority becomes effective when you receive a purchase card from the servicing bank embossed with your name. This delegation of authority shall not be redelegated or transferred to another person. This delegation of authority shall remain in effect until you are transferred or terminate your employment, or until the delegation is suspended, modified, or canceled. This delegation of authority will be subject to periodic review. If you have any questions regarding your authority, please contact your A/OPC.

[Signature and Title of HCA or Designee]



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Cardholder and Approving Official Training Certification

I certify, as a ☐ cardholder or ☐ approving official (AO), that I have successfully completed all required purchase card training for my level of authority, and that I have read, understand, and will abide by the policies and procedures that govern the use of the Government purchase card at HHS as described in the HHS Purchase Card Guide and any OPDIV specific supplemental procedures. (Note: Any approved OPDIV-specific procedures will be addressed in Appendices to Version 2.0 of this guide.)

For Cardholders:

I further certify that I:

will only use the card for official purchases, within the dollar limitations designated for my card, and only when sufficient funds are available

- will only purchase authorized products or services
- will protect the card from unauthorized use
- understand that willful misuse of the card may result in immediate cancellation of the card and disciplinary action against me

For Approving Officials:

I further certify that I:

- will examine all cardholder documentation related to card transactions to ensure that purchases are based on a bona fide need
- will resolve any questionable purchases with the cardholder
- will ensure that the cardholder's purchase transactions are properly reconciled with the servicing bank's statement
- will immediately notify my A/OPC of any suspected cases of misuse or fraud

Organization _____

Signature _____

Printed Name _____

Date _____



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Status of Inactive Purchase Card

Date:

From:

To:

Subject: Purchase Card ending in _____. Cardholder: _____

A recent review of purchase card activity indicates that the subject card may be inactive based on the following:

- ☐ Card had no activity during the past 6 months
- ☐ Card had transactions totaling \$ _____ from _____ to _____.

Please review the subject card and complete, date, and sign this form and return it to your A/OPC by _____. Failure to complete this form may result in cancellation of the card.

Approving Official Determination

I have reviewed this purchase card and have determined the following:

- ☐ Card is no longer needed and should be canceled for the following reason:
 - ☐ Cardholder has transferred to another office or has left the organization
 - ☐ Cardholder no longer wants to retain the card
 - ☐ There are no requirements to justify need for a card
 - ☐ Requirements are being satisfied by another cardholder or through other means
 - ☐ Other (explain)
- ☐ Card is still required for the following reason:
 - ☐ Card is to be used for emergencies. The cardholder has been designated as an “emergency employee” or a “mission-critical emergency employee” under an emergency response plan or continuity of operations plan (COOP), or is an active duty officer in the Public Health Services’ Commissioned Corps. (Note: Use of card as a “backup card” for another cardholder does not qualify as an emergency use and is not permitted.) Briefly describe the type of expected emergencies the card would be used for and the types of products or services expected to be purchased:
 - ☐ Office requirements exist but demand patterns are highly variable. Estimated use is \$ _____ during the next 6 months. Indicate the major types of products or services that are anticipated to be ordered during the next 6 months.
 - ☐ Other (explain)

Approving Official: _____

Signature: _____

Date: _____